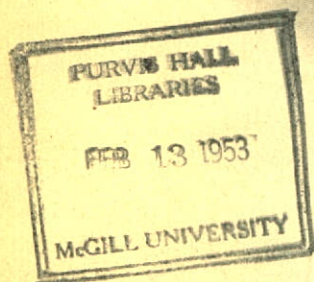


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ANNUAL REPORT

FOR THE YEAR ENDING DECEMBER 31 • 1948







ANNUAL REPORT FOR THE YEAR ENDING DECEMBER 31 • 1948

SECTION ONE



BOARD OF DIRECTORS

<i>Douglas W. Ambridge</i>	<i>James Henry Gundy</i>
<i>Hon. Edouard Asselin, K.C.</i>	<i>T. Rodgie McLagan</i>
<i>Edward W. Bickle</i>	<i>Robert H. Reid</i>
<i>Harry J. Carmichael</i>	<i>Joseph P. Ripley</i>
<i>Allan Graydon, K.C.</i>	<i>William H. Smith</i>
<i>J. S. D. Tory, K.C.</i>	

EXECUTIVE COMMITTEE

<i>Douglas W. Ambridge</i>	<i>William H. Smith</i>
<i>James Henry Gundy</i>	<i>J. S. D. Tory, K.C.</i>

OFFICERS

<i>Douglas W. Ambridge, President and General Manager</i>	<i>Howard Young, Treasurer</i>
<i>William H. Smith, Vice-President</i>	<i>Laurence B. Popham, Secretary</i>

TRANSFER AGENTS

<i>Montreal Trust Company, Toronto, Ont.</i>	<i>Montreal Trust Company, Montreal, Que.</i>
<i>City Bank Farmers Trust Company, New York, N.Y.</i>	

REGISTRARS

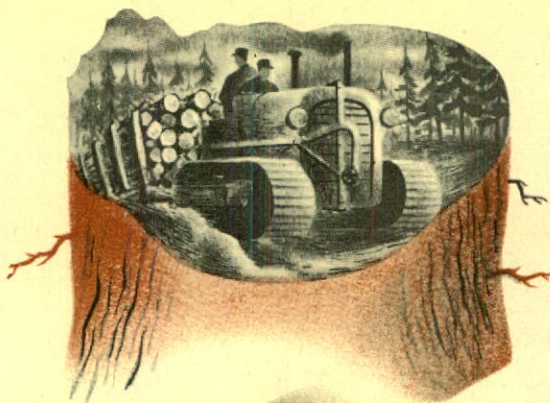
<i>The Toronto General Trusts Corporation, Toronto, Ont.</i>	<i>The Eastern Trust Company, Montreal, Que.</i>
<i>The National City Bank of New York, New York, N.Y.</i>	

AUDITORS

Price, Waterhouse & Co., Toronto, Ont.



REPORT OF THE PRESIDENT



TO THE SHAREHOLDERS OF ABITIBI POWER & PAPER COMPANY, LIMITED:

This is the third annual report issued since the reorganization of the Company on April 30th, 1946 and your Directors feel that this is an opportune time to review the progress which has been made in the rebuilding of the Company since the present Board undertook the management of its affairs.

There is therefore included in this report a table on the following page which shows what funds have been at the disposal of the Board since April 30th, 1946 and what has been accomplished since then.

This table tells a notable story, the salient points of which are the following:

1. The total funded debt of the Company has been reduced by \$11,141,200 and the rate on the present bond issue is $3\frac{1}{2}\%$ instead of 5% , the rate on the original issue.
2. Dividends amounting to \$4,131,418 have been paid to the holders of Abitibi preferred stocks.
3. The properties have been added to and modernized by capital expenditures amounting to a total so far of \$16,439,059.

4. Both the physical volume and value of inventories (chiefly of pulpwood) have had to be increased by \$10,402,499 in order to sustain the present scale of operations.

5. The $5\frac{1}{2}\%$ bonds and 7% preferred stock of Provincial Paper, Limited have been retired. Of the total money required for this purpose Abitibi provided \$4,000,000.

All these things have been done without seriously depleting the working capital of the Company which stood at \$19,093,523 as at December 31, 1948.



CONDENSED SUMMARY OF FINANCIAL TRANSACTIONS,
SINCE THE REORGANIZATION OF THE COMPANY
MAY 1, 1946, TO DECEMBER 31, 1948.

FUNDS AVAILABLE:

Cash and Government Bonds on hand May 1, 1946	\$ 14,436,657
Profit for period before Taxes on Income	47,547,935
Depreciation and Depletion	10,372,403
Net increase in Accounts Payable and Receivable, and Sundry items	1,061,440
Bank loan as at December 31, 1948	2,000,000
	<u>\$ 75,418,435</u>

APPLIED AS FOLLOWS:

Cost of Reorganization	\$ 2,451,310
Purchase of additional Common Stock of Provincial Paper, Limited	4,000,000
Payment of arrears of Taxes on Income for periods prior to Reorganization	5,849,776
Taxes on Income earned subsequent to April 30, 1946—\$23,925,250 less \$5,031,122 payable in 1949	18,894,128
Cost of Refunding Bonds	1,317,785
Reduction in Funded Debt	11,141,200
Preferred Dividends paid	4,131,418
Capital Expenditures	16,439,059
Increase in Inventories	10,402,499
Cash on hand December 31, 1948	791,260
	<u>\$ 75,418,435</u>

Your Directors feel that these results of the first two years and eight months of their stewardship speak for themselves. It is felt that the financial position of the Company should be further improved especially in regard to the cash and working capital positions.

For the past several months negotiations with the Hydro-Electric Power Commission of Ontario have been carried on with the end in view of selling the assets of the Kaministiquia Power Co., Limited to it.

Early in 1949 this transaction was completed and the property sold for \$5,000,000.

A satisfactory power contract for the supply of power to the Fort William mill has been executed. This mill was formerly supplied

with power by the Kaministiquia Power Co., Limited.

It is difficult to forecast what the condition of the markets for the Company's principal products will be in 1949. The consensus of opinion among economists seems to be that the general level of business activity on the North American continent will not be substantially less than it was in 1947 and in 1948.

As this report is written there is evidence that a balance between supply and demand in the market for the lower grades of pulp and paper boards has been struck. On the other hand the demand for newsprint still outruns the supply in spite of the constantly increasing output in most of the producing countries of the world.

EARNINGS

Profit for the year ended December 31, 1948, after all charges and after provision of \$1,500,000 to increase the reserve against a possible decline in inventory values, was \$9,413,086.

A total of \$2,217,908 was paid to the holders of the preferred stocks.

No dividends were paid to the holders of the common stock during the year, but in January 1949 the Directors declared a dividend of 25 cents per share to holders of record March 1st, 1949 payable on April 1st, 1949. Every effort will be made to pay dividends on the common stock on a regular quarterly basis.

The table below shows the distribution of the revenue received during the year.

Your Directors have felt for a long time that it would be desirable to issue more frequent statements to stockholders on the affairs of the Company. A statement will therefore be issued early in the second half of 1949 which will contain up-to-date information on operations for the first six months of the year.

BALANCE SHEET

The balance sheet shows the improvements which the year's operations have brought about. The liquid position as at December 31, 1948 is still not altogether satisfactory although completion of the sale of the Kaministiquia Power Co., Limited mentioned above will substantially increase the cash available. The steady operation of the sinking fund is reflected in the decreasing amount of bonds outstanding.

THE SALES DOLLAR

PAID FOR MATERIALS AND SERVICES	29.0 Cents
SET ASIDE FOR DEPRECIATION AND DEPLETION	5.7
SET ASIDE FOR POSSIBLE DECLINE IN INVENTORY VALUES	2.0
RETAINED IN THE BUSINESS	9.5
GOVERNMENT AND MUNICIPAL TAXES	11.2
BOND INTEREST	2.0
	59.4 Cents

This left 40.6 cents out of each sales dollar for the payment of wages and salaries to our own employees and for dividends. This remainder was distributed as follows:

PAID TO EMPLOYEES AS WAGES AND SALARIES	36.2 Cents
EMPLOYEES' RETIREMENT INCOME PLAN, GROUP INSURANCE, ETC.	1.4
DIVIDENDS ON PREFERRED SHARES	3.0
DIVIDENDS ON COMMON SHARES	
	40.6 Cents
TOTAL	\$1.00

Vigorous measures have been taken to keep the inventories at as low a level as is safely possible. The Directors feel the need for caution at a time when there is a strong likelihood that the price level, particularly for pulpwood, is likely to decline.

A reserve amounting to \$700,000 formerly shown as a deduction from inventories was transferred to "Reserve against possible decline in inventory values."

In the consolidated balance sheet at December 31, 1947, the Company's investment in the shares of The G. H. Mead Company was shown under the heading "Shares of Subsidiary Companies not Consolidated" at \$210,023. During 1948 the final steps in the dissolution of The G. H. Mead Company were taken and that company has now been liquidated. The proceeds of liquidation amounting to \$220,057 are included in Accounts Receivable, the difference of \$10,034 having been credited to Profit and Loss Account.

WORKING CAPITAL *in Millions of Dollars*



WORKING CAPITAL

The accompanying chart shows the amount of working capital which has been available from time to time in recent years. The increase during the year is satisfactory

and further progress in this regard is to be expected.

It is hoped that the need for bank loans in order to finance our large seasonal operations in the woods will be greatly diminished.

RESEARCH and DEVELOPMENT

The long and arduous task of building an effective research organization is being actively undertaken. Satisfactory progress along the lines of more efficient use of the wood reserves of the Company has been made and further studies are being undertaken as competent personnel become available.

A Research Committee composed of senior staff from both Provincial and Abitibi is aggressively directing the work being carried out in the new laboratories at Sault Ste. Marie.

While your Directors are satisfied that progress has been made they are fully aware that expenditures for research must be very substantially increased if the full benefits of the facilities now available are to be realized.

FOREST PROTECTION

More and more knowledge is being accumulated as to the measures which must be taken to protect and perpetuate the forests of the nation.

It is becoming increasingly evident that the problem of how funds are to be provided for forest protection and for the scientific development of our forest resources can only be solved by the cordial cooperation of government authorities and the lessees of forest lands.

The present situation is that huge sums are taken in taxes from the annual revenues of the pulp and paper industry. This money is now spent by governments largely for general purposes.

Your Directors are convinced that the time has come when serious thought must be given to the problem of how a reasonable part of

these taxes may be devoted to specific projects which contribute directly to the protection of what is unquestionably one of the major factors in the well-being of the Canadian economy.

PROPERTIES

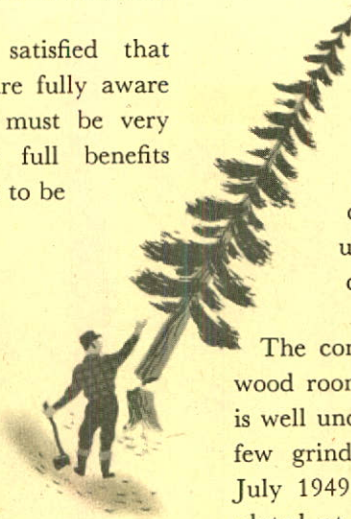
Steady progress was made in dealing with the capital improvement programme and with the accumulated need for major repairs in all the properties of the Company.

At the Ste. Anne mill major changes to both paper machines were made during the last quarter of the year. When the full benefit of these changes is realized during the next few months these two units will be thoroughly modern and capable of highly efficient operation.

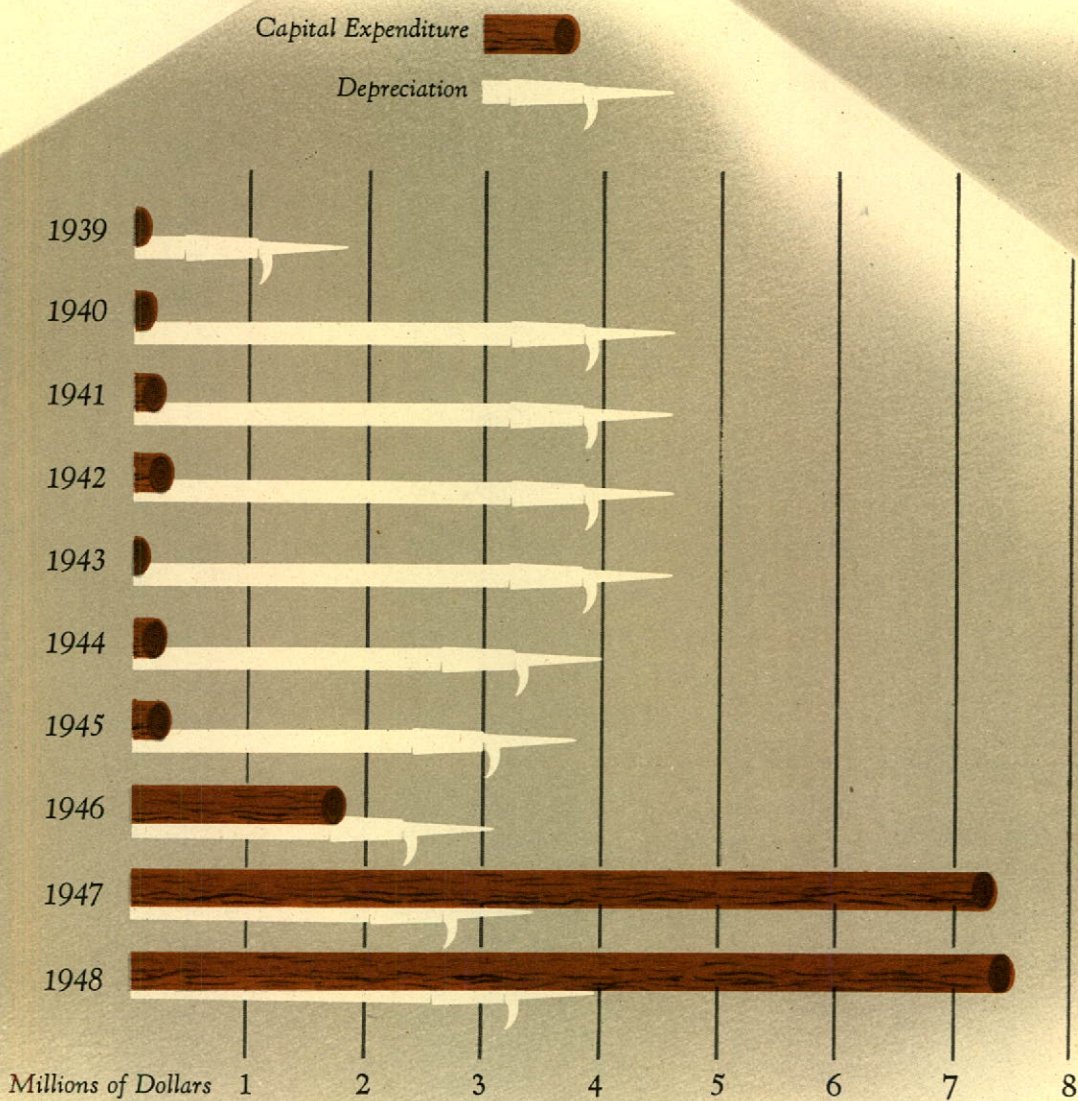
The construction of the new grinder room, wood room and screen room at Iroquois Falls is well under way and it is hoped that the first few grinders will be put into operation in July 1949. The whole of the work contemplated at this mill will not be finished until the second half of 1950.

The Smooth Rock Falls mill is now producing an excellent grade of bleached sulphite which has a ready market. Major repairs to the power generating station and to the electrical system were completed and plans are now ready for a thorough renovation of the screen rooms this year.

At the Island Falls power plant several major repairs were carried out especially on the private railroad which provides the only communication with main line railroads. It is now possible to proceed with major repairs long overdue to the main dam structure and this will be put in first class condition this



COMPARISON BETWEEN CAPITAL EXPENDITURE AND DEPRECIATION



year. These necessary repairs to the dam will cost upwards of \$350,000.

The Sturgeon Falls mill which was started up again after years of idleness is turning out more than its designed capacity of a high grade of corrugating board. Here again major repairs are necessary to dams and these are being carried out this year. A new plant for the manufacture of sodium sulphite, one of the chemicals used in the process, is on this year's programme. The operation of this plant will substantially reduce the cost of this chemical.

At Sault Ste. Marie the new research laboratories are in full operation and plans are completed for the replacement of the wood preparing rooms this year. Plans for the future development of this mill are still under consideration.

The new grinder room at the Thunder Bay mill in Port Arthur went into full operation a few months ago and has been an unqualified success. It is one of the finest grinder rooms in the world. A new boiler has just gone into operation and the work of modernizing the paper machines themselves is under way.

PRODUCTION IN ABITIBI MILLS

	Tons of Newsprint Paper	Tons of Bleached Sulphite Pulp	Tons of Unbleached Sulphite Pulp	Tons of Board
1939	324,543	40,685	3,686	1,195
1940	430,299	51,927	21,565	2,790
1941	474,127	60,582	29,402	1,197
1942	422,882	63,025	44,183	1,911
1943	470,750	63,447	42,393	1,604
1944	438,705	62,314		1,784
1945	453,657	63,128	6,978	1,450
1946	610,683	57,090	28,394	1,136
1947	657,752	65,369	38,031	8,593
1948	680,049	66,987	39,742	36,161

At the Fort William mill plans have been completed and preliminary work done on the installation of a supercalender for the manufacture of a superior grade of newsprint paper for Canadian publishers.

The Pine Falls mill has been completely rearranged and much new equipment to replace obsolete and worn out machines has been installed. The work on the use of jackpine for groundwood is proceeding satisfactorily. This work is one of the first fruits of the research programme. A new boiler, unique in Canada, has been installed to burn low grade Alberta coals at high efficiency.

The shortage of housing, office space and warehouse capacity in the various townsites and depots owned by the Company has been largely corrected by the completion of a new hotel in Pine Falls, new office buildings in Port Arthur and Smooth Rock Falls, and warehouses at several points for the use of the Woods Departments. In addition to this a total of 101 dwellings have been built in the Company's townsites since the Company's reorganization.

Plans are ready for a new hospital at Smooth Rock Falls which will be built in 1949.

The Hudson's Bay Company has opened two new first class general stores, one in Pine Falls and the other in Iroquois Falls.

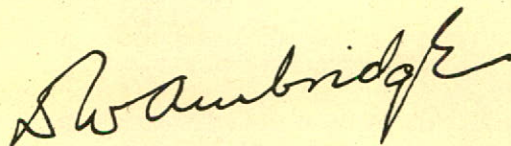
INDUSTRIAL RELATIONS

Steady progress is being made in the field of industrial relations in its broadest sense. Relations between the Company and the various unions which have jurisdiction among its employees are being constantly improved on the twin principles that what is good for the Company is good for the employees, and that nothing which injures the Company can in the long run be good for them.

Plans are being carried out for a comprehensive programme of training in all mills and in all the many trades which are involved in the Company's operations. The preliminary results of this programme are encouraging and the management believes that they will eventually be successful in providing an opportunity for developing the talents of all of the Company's employees.

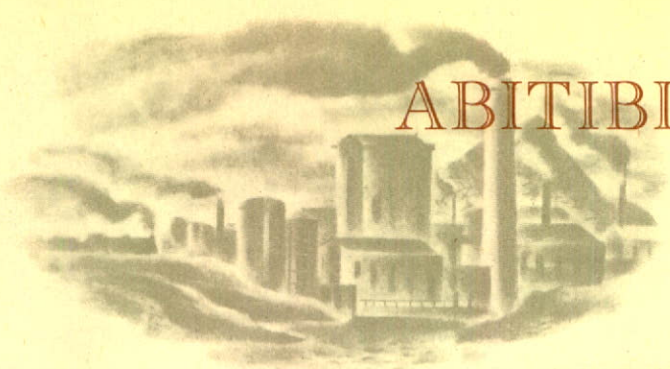
The Directors are pleased to be able to express in this report their keen appreciation of the intelligence, energy and enthusiasm with which the work of the Company has been carried out in the past year.

On behalf of the Board,



PRESIDENT.

Toronto, March 1, 1949



ABITIBI POWER & PAPER

Other than Provincial Paper, I

CONSOLIDATED

DECEMBER

ASSETS

CURRENT ASSETS:

Cash on hand and in banks	\$ 791,260	
Accounts receivable, less reserves	8,054,749	
Inventories of paper, pulp, wood, materials and supplies on the basis of cost, as determined and certified by responsible officials, and expenditures on logging operations	26,998,975	
		\$ 35,844,984

SHARES OF SUBSIDIARY COMPANIES NOT CONSOLIDATED:

Provincial Paper, Limited	\$ 5,500,000	
Abitibi Service Inc.	500	
		5,500,500

NOTE: The company's equity in subsidiary companies not consolidated as shown by the balance sheets of such subsidiaries as at December 31, 1948 exceeds the value shown herein by \$1,940,533.

CAPITAL ASSETS:

Properties, plant and equipment at gross physical values as at April 30, 1946, as reported by Messrs. Coverdale & Colpitts, Consulting Engineers, New York	\$108,376,000	
Subsequent additions, at cost, including \$60,186 in progress at April 30, 1946	16,499,245	
	\$124,875,245	
Less—Retirements, etc.	1,088,418	
	\$123,786,827	
Less—Accrued depreciation as at April 30, 1946, as reported by Messrs. Coverdale & Colpitts, plus subsequent provisions; adjusted for retirements	50,665,459	

NOTE: A surplus of \$20,425,054 arising from the restatement of values of the properties, plant and equipment as at the termination of receivership on April 30, 1946, has been applied as at that date—\$12,227,635 in absorbing the consolidated deficit in profit and loss and \$8,197,419 in reduction of the consolidated gross book values of timber concessions, agreements and licenses, and waterpower rights.

	\$ 73,121,368	
Freehold timber areas, at cost	\$ 418,979	
Timber concessions, agreements and licenses, and waterpower rights	18,252,232	
	\$18,671,211	
Less—Reserves for depletion	2,609,846	16,061,365
		89,182,733

OTHER ASSETS AND DEFERRED CHARGES:

Miscellaneous investments	\$ 197,763	
Refundable portion of excess profits taxes	203,548	
Prepaid insurance, taxes, etc.	585,801	
Bond discount and expense	785,157	
		1,772,269
		<u>\$132,300,486</u>

COMPANY, LIMITED AND SUBSIDIARY COMPANIES

ed and Abitibi Service Inc.

BALANCE SHEET

31, 1948

LIABILITIES

CURRENT LIABILITIES:

Bank loan (secured)	\$ 2,000,000	
Wages and salaries payable and accrued	1,525,276	
Accounts payable and sundry accruals	4,069,807	
Advance payments on contracts	575,200	
Dividends payable January 1, 1949	554,477	
Interest accrued on First Mortgage Bonds	367,084	
Dominion and Provincial taxes on income	5,031,122	
Other taxes payable and accrued	241,495	
First Mortgage Bonds—payments due within one year	2,387,000	
		\$ 16,751,461

FIRST MORTGAGE BONDS:

Authorized	\$65,000,000	
Issued and outstanding:		
3½% First Mortgage Serial Bonds, Series "A"		
(\$1,000,000 maturing annually April 1, 1948 to 1957)		
Issued	\$10,000,000	
Redeemed and cancelled	1,000,000	\$ 9,000,000
3½% First Mortgage Twenty-Year Bonds, Series "A",		
maturing April 1, 1967		
Issued	\$35,000,000	
Redeemed and cancelled	1,547,500	33,452,500
		\$ 42,452,500
Less—		
Purchased for redemption	\$ 500,000	
Serial and sinking fund payments due within one		
year—shown above	2,387,000	2,887,000

RESERVE AGAINST POSSIBLE DECLINE IN INVENTORY VALUES:

39,565,500
3,700,000

CAPITAL STOCK:

Authorized and outstanding—		
Prior Preferred Shares—		
Annual cumulative dividend of \$2.50 a share; redeemable at \$37.50		
a share— 50,000 shares of \$20 each	\$ 1,000,000	
Preferred Shares—		
Annual cumulative dividend of \$1.50 a share; redeemable at \$25		
a share— 1,395,272 shares of \$20 each	27,905,440	
Common Shares—		
1,241,694 shares without nominal or par value	25,941,295	

54,846,735

EARNED SURPLUS, SINCE MAY 1, 1946:

Per statement attached	17,436,790
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APPROVED ON BEHALF OF THE BOARD:

D. W. AMBRIDGE, Director
W. H. SMITH, Director

\$132,300,486

ABITIBI POWER & PAPER

Other than Provincial Paper, Limited

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED DECEMBER 31, 1948

PARTICULARS	AMOUNT
Net Sales—after deducting outward freight, etc.	\$75,075,814
Less—Operating costs including administrative, selling and general expenses but before provision for depreciation, depletion, etc.	49,838,230
	<u>\$25,237,584</u>
Add—Dividends from The G. H. Mead Company	305,000
	<u>\$25,542,584</u>
Deduct—	
Provision for depreciation	\$ 3,997,401
Provision for depletion	260,000
Employees' retirement income plan	868,651
Amortization of bond discount and expense	153,697
Interest on First Mortgage Bonds	1,499,499
	<u>6,779,248</u>
Profit before provision for taxes on income	<u>\$18,763,336</u>
Deduct—	
Provision for Dominion taxes on income	\$ 6,515,250
Provision for Provincial taxes on income	1,335,000
	<u>7,850,250</u>
Net profit for the year	<u>\$10,913,086</u>
Less—Appropriation against possible decline in inventory values	1,500,000
	<u>\$ 9,413,086</u>
Profit for the year, after all charges and after a special appropriation, carried to Earned Surplus	<u><u>\$ 9,413,086</u></u>

NOTE: Fees of directors not executive officers and not holding salaried positions amounted to \$21,500 for the year and counsel and solicitors' fees, salaries and fees of executive officers and directors holding salaried positions amounted to \$344,770 for the year.

COMPANY, LIMITED AND SUBSIDIARY COMPANIES

Abitibi Service Inc.

CONSOLIDATED STATEMENT OF EARNED SURPLUS

(Since May 1, 1946)

FOR THE YEAR ENDED DECEMBER 31, 1948

PARTICULARS	AMOUNT
Earned surplus as at December 31, 1947.....	\$10,241,612
Profit for the year, after all charges and after a special appropriation.....	9,413,086
	<u>\$19,654,698</u>
<i>Deduct—</i>	
Dividends on Prior Preferred Shares.....	\$ 125,000
Dividends on Preferred Shares.....	2,092,908
	<u>2,217,908</u>
Earned surplus as at December 31, 1948.....	<u><u>\$17,436,790</u></u>



Auditors' Report

PRICE, WATERHOUSE & CO.

ROYAL BANK BUILDING

TORONTO

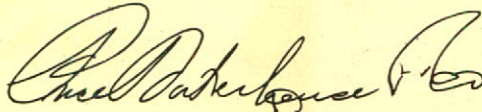
February 10, 1949.

To the Shareholders of
ABITIBI POWER & PAPER COMPANY, LIMITED:

We have examined the consolidated balance sheet of Abitibi Power & Paper Company, Limited and subsidiary companies, other than Provincial Paper, Limited and Abitibi Service Inc., as at December 31, 1948 and the related consolidated statements of profit and loss and earned surplus for the year ended on that date and have obtained all the information and explanations which we required. Our examination included such tests of the accounting records and other supporting evidence and such other procedures as we considered appropriate in the circumstances.

Pursuant to Section 114 of The Companies Act 1934, we report that the earnings of subsidiary companies not consolidated have been included in the consolidated statement of profit and loss only to the extent of dividends received.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of profit and loss and earned surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies as at December 31, 1948 and the result of operations for the year ended on that date according to the best of our information and the explanations given to us and as shown by the books of the companies.



Auditors.



SECTION TWO

PROVINCIAL PAPER, LIMITED

MANUFACTURERS OF FINE PAPERS FOR
MAGAZINES AND PERIODICALS
BOOKS, CATALOGUES AND FOLDERS
BUSINESS FORMS AND ENVELOPES
LABELS, CALENDARS, BOX WRAPS, Etc., Etc.



PROVINCIAL PAPER, LIMITED

BOARD OF DIRECTORS

<i>Douglas W. Ambridge</i>	<i>Arthur P. Jewett</i>
<i>Walter S. Barber</i>	<i>William H. Smith</i>
<i>Clark B. Davis</i>	<i>John S. D. Tory, K.C.</i>
<i>Allan Graydon, K.C.</i>	<i>Howard Young</i>

OFFICERS

<i>Douglas W. Ambridge, President</i>	<i>William H. Smith, Vice-President</i>
<i>Arthur P. Jewett, General Manager</i>	<i>Walter S. Barber, Secretary-Treasurer</i>

TRANSFER AGENTS

Royal Trust Company, Toronto, Ont., and Montreal, Que.

REGISTRARS

Royal Trust Company, Toronto, Ont., and Montreal, Que.

AUDITORS

Price, Waterhouse & Co., Toronto, Ont.

REPORT OF THE PRESIDENT

It is satisfactory to be able to report another record year for this Company.

During 1948 total sales in dollars were up 15% over 1947. The continued success which has attended the manufacture and sale of machine coated grades in the Canadian market has been notable and has greatly contributed to the good reputation which the Company has earned.

One of the Company's mills, a small and obsolete paper mill in Georgetown, Ontario, has been shut down as it is now possible to maintain present total production of all grades without it. A vigorous development policy with the end in view of bringing new products to the market is being pursued. Many paper specialties are presently imported from the United States and it is felt that some of these can now be profitably produced in Canada.

Profits for the year were \$1,201,914 after all charges. The regular 4% dividend on the preferred shares was paid, but the Directors felt that it was of great importance to conserve the Company's cash resources for use in the developments mentioned above. For this reason no dividends were paid on the common stock of Provincial Paper, Limited.

The balance sheet discloses a satisfactory increase in working capital and a further increase in inventories. It is, however, to be expected that the value of the pulpwood inventory has passed its peak and that it will begin to decline in the next year or two.

In the balance sheet at December 31, 1947, the Company's investments in the shares of Simcoe Realty Company Limited and Sucker Creek Timber Slide Company Limited were shown under the heading "Shares of Subsidiary Companies not Consolidated" at \$176,275. During 1948 the remaining assets of Simcoe Realty Company Limited and Sucker Creek Timber Slide Company Limited, wholly owned subsidiaries, were transferred to the Company. The Letters Patent of these subsidiaries have now been surrendered.

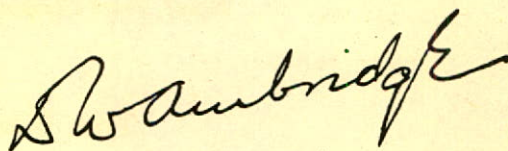
The physical condition of the four operating mills is constantly being improved. A major expenditure contemplated for 1949 is for a new boiler at Port Arthur to replace an old steam plant over 30 years old.

The increasing efficiency of the mills will make it possible to improve the quality of all the Company's products, a policy which is being continuously carried out by the Management.

The world wide shortage of United States dollars has seriously curtailed the volume of overseas exports of fine papers from Canada. It is to be hoped that some means will be found to finance exports to markets where Provincial papers are well known and highly regarded.

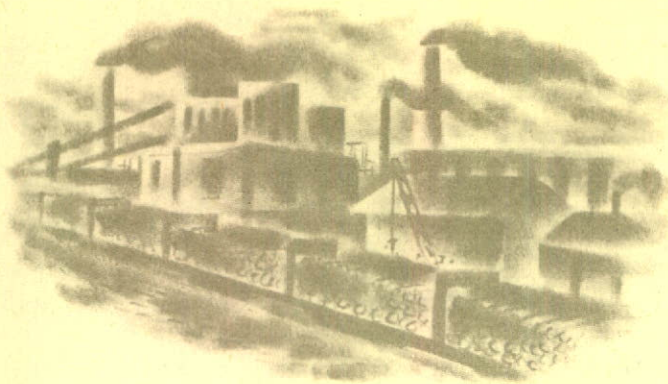
The Directors are happy to record their keen satisfaction with the skill and energy with which the Company's employees have carried out their work. No other single factor has contributed more to the satisfactory results for the year.

On behalf of the Board,



PRESIDENT.

Toronto, March 1, 1949



PROVINCIAL BALANCE SHEET

ASSETS

CURRENT ASSETS:

Cash on hand and in banks.....	\$	88,223	
Dominion of Canada Bonds.....		63,000	
Accounts receivable, less reserves.....		1,551,599	
Inventories of paper, pulp, wood, materials and supplies valued at or below present market prices not above cost, as determined and certified by responsible officials, and expenditures on logging operations.....		3,810,459	
			\$ 5,513,281

CAPITAL ASSETS:

Properties, plant and equipment, etc.....	\$11,274,435	
Less—Accrued depreciation.....	6,208,336	
		5,066,099

OTHER ASSETS AND DEFERRED CHARGES:

Refundable portion of excess profits taxes (including \$37,680 receivable in 1949).....	\$	81,181	
Miscellaneous investments, less reserve.....		5,000	
Prepaid insurance, etc.....		22,491	
			108,672
			<u>\$10,688,052</u>

PAPER, LIMITED

DECEMBER 31, 1948

LIABILITIES

CURRENT LIABILITIES:

Wages and salaries payable and accrued.....	\$ 100,682
Accounts payable and sundry accruals.....	841,269
Dominion and Provincial taxes on income.....	403,299
Other taxes payable and accrued.....	32,727
	————— \$ 1,377,977

RESERVE AGAINST POSSIBLE DECLINE

IN INVENTORY VALUES.....	250,000
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GENERAL RESERVE.....	629,536
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CAPITAL STOCK:

Authorized, issued, and outstanding—

4% Cumulative Redeemable Preference Shares—

20,000 shares of \$50 each (redeemable at option of the Company at \$53.50 per share).....	\$ 1,000,000
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Common Shares—

350,000 shares without nominal or par value.....	4,100,000
	————— 5,100,000

EARNED SURPLUS:

Per statement attached.....	3,330,539
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—————
\$10,688,052
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PROVINCIAL PAPER, LIMITED

STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED DECEMBER 31, 1948

PARTICULARS	AMOUNT
Net Sales—after deducting outward freight, etc.....	\$13,611,216
<i>Less</i> —Operating costs including administrative, selling and general expenses but before provision for depreciation, etc.....	11,155,681
	<u>\$ 2,455,535</u>
<i>Deduct</i> —	
Provision for depreciation.....	\$ 206,617
Employees' retirement income plan.....	257,004
	<u>463,621</u>
Profit before provision for taxes on income.....	\$ 1,991,914
<i>Deduct</i> —	
Provision for Dominion taxes on income.....	\$ 650,000
Provision for Provincial taxes on income.....	140,000
	<u>790,000</u>
Net profit for the year.....	<u><u>\$ 1,201,914</u></u>

STATEMENT OF EARNED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 1948

Earned surplus as at December 31, 1947.....	\$ 2,158,644
Surplus arising from merger of subsidiary companies as of January 1, 1948 and sundry adjustments	9,981
Net profit for the year.....	1,201,914
	<u>\$ 3,370,539</u>
<i>Deduct</i> —	
Dividends on Preference Shares.....	40,000
Earned surplus as at December 31, 1948.....	<u><u>\$ 3,330,539</u></u>

AUDITORS' REPORT

PRICE.WATERHOUSE & CO.

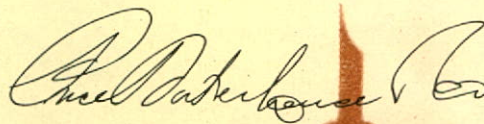
ROYAL BANK BUILDING

TORONTO

February 7, 1949.

To the Shareholders of
PROVINCIAL PAPER, LIMITED:

We have examined the balance sheet of Provincial Paper, Limited as at December 31, 1948 and the related statements of profit and loss and earned surplus for the year ending on that date and all our requirements as auditors have been complied with. Our examination included such tests of the accounting records and other supporting evidence and such other procedures as we considered appropriate in the circumstances. In our opinion, the accompanying balance sheet and related statements of profit and loss and earned surplus are properly drawn up so as to exhibit a true and correct view of the state of the company's affairs as at December 31, 1948 and the result of operations for the year ending on that date according to the best of our information and the explanations given to us and as shown by the books of the company.



Auditors.

M A N I T O B A

O N T A R I O

PINE FALLS

Manitoba Paper Company, Limited

KAKABEKA FALLS

Kaministiquia Power Co., Limited

PORT ARTHUR

Thunder Bay Paper Co., Limited
Provincial Paper, Limited

FORT WILLIAM



SITES OF PAPER MILLS, PULP
MILLS AND DEVELOPED
WATER POWERS



NEWSPRINT



DEVELOPED
WATER POWER



EXECUTIVE
OFFICES



BLEACHED
SULPHITE

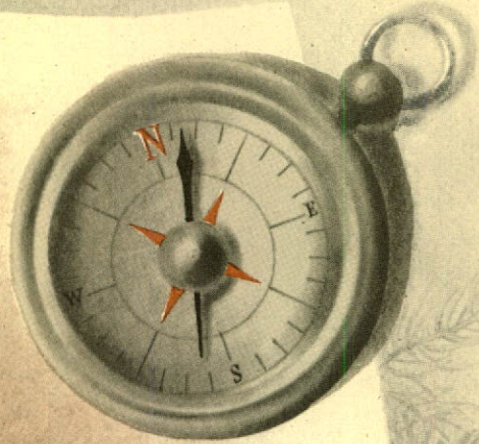


CORRUGATING
BOARD



BOOK PAPER

U. S. A.



QUEBEC

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ROCK FALLS

ISLAND FALLS
Abitibi Electric Development Company, Limited

IROQUOIS FALLS

TWIN FALLS

BEAUPRE
Ste. Anne Paper Company, Limited

SAULT STE. MARIE

STURGEON FALLS

MILLE ROCHES
Provincial Paper, Limited

GEORGETOWN
Provincial Paper, Limited

TORONTO
Executive Offices

THOROLD
Provincial Paper, Limited

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John E. Grant

